

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1197 - SB 1670

March 11, 2009

SUMMARY OF BILL: Repeals the sourcing provisions of the Streamlined Sales and Use Tax Agreement, currently scheduled to take effect on July 1, 2009. Repeals sourcing provisions for telecommunications services which are currently in effect.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$100,000,000

Decrease Local Revenue - \$35,714,300

Assumptions:

- A streamline volunteer means any taxpayer who elects to collect state and local sales tax on the behalf of Tennessee and Tennessee municipalities for sales made and delivered to Tennesseans from businesses not having a physical presence or nexus within Tennessee.
- According to the Department of Revenue (DOR), removing these sourcing provisions will effectively remove the authority for streamlined volunteers to collect Tennessee state sales tax or local option sales tax for Tennessee municipalities.
- Based on information provided by DOR, the state currently receives approximately \$100,000,000 per year in state sales tax revenue as a result of all sourcing provisions. Therefore, the decrease to state revenue is estimated to be \$100,000,000 per year.
- The current state sales tax rate is seven percent.
- The taxable sales from which \$100,000,000 of state sales tax revenue would be generated is estimated to be \$1,428,571,400 per year ($\$100,000,000 / 7.0\% = \$1,428,571,429$).
- The average local option sales tax rate is estimated to be 2.5 percent.
- The decrease to local government revenue is estimated to be \$35,714,300 per year ($\$1,428,571,400 \times 2.5\% = \$35,714,285$).

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CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc